

U.S. Department of Energy
Office of Inspector General

Statement
of
The Honorable Teri L. Donaldson, Inspector General
US Department of Energy

before the

U.S. House of Representatives
Committee on Energy and Commerce
Subcommittee on Oversight and Investigations

March 29, 2023

Introduction

Chairman Griffith, Ranking Member Castor, and Members of the Sub-Committee:

Thank you for inviting me to testify today on the oversight risks associated with the Department of Energy's implementation of four recent pieces of legislation – the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), the CHIPS and Science Act (CHIPS Act), and the 2023 Consolidated Appropriations Act's Puerto Rico Energy Resilience Fund.

Today I will provide an overview of the over \$128 billion in authorizations and appropriations provided to the Department of Energy, and the increase in loan authority to over \$350 billion, resulting from these four pieces of legislation. I will discuss some general risks the Department faces as they implement 71 new programs, and significantly expand 19 others, including the risk that the Department and DOE OIG did not receive adequate funding for oversight. Specifically, I will address the historical funding shortfall of the DOE OIG, and the current budget shortfall of over \$300 million as it pertains to the recent legislation and the OIG's efforts.

I will then speak to the efforts my office has taken to date. These efforts include the issuance of four reports summarizing prior work that targeted programmatic areas that will receive substantial funding under the new legislation. You will see that there are recurring themes in these reports. Additionally, we have had frequent communications with the Department while keeping in mind our independence. The OIG has also conducted 180 fraud awareness briefings since the passage of IIJA, reaching more than 5,700 federal employees, contractors, grantees, external auditors, law enforcement, and state, local government, and tribal representatives. We have also worked closely with other OIGs who have received money under

these pieces of legislation. I am currently serving as the co-chair of the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) IJA Working Group.

My office also has also launched a data collection and monitoring project to begin to collect detailed information from the Department for the five programs receiving the most money under these pieces of legislation. This data collection and monitoring project will help produce impactful audits, inspections, evaluations, and investigations. We have already initiated one audit and are in the planning stages to conduct additional work, which will include the use of data analytics.

Overview of Recent Legislation

- IJA – appropriated more than \$62 billion over five years to the Department of Energy and made most of those funds available through FY 2031. The Department created 56 new programs, including 16 demonstration and 32 deployment programs, and expanded funding for existing research, development, demonstration, and deployment programs. To lead these projects, the Secretary of the Department of Energy created a new Under Secretary for Infrastructure in February 2022.
- IRA – appropriated \$35 billion for various Department of Energy programs, with funding available for various lengths of time – some funding expires between FY 2026 and FY 2031, while other funds are available until expended. IRA resulted in the creation of 15 new programs, and significantly expanded the Department of Energy's loan authorities, such that the total of all existing Department loan authorities, including those contained in IJA and IRA, is now estimated at \$350 billion.

- The CHIPS Act – authorized \$67 billion in spending for the Department’s Office of Science, and many other research and development projects at the Department’s national laboratories. Of this \$67 billion, \$30.5 billion represents an expansion of their existing authorization.
- The Consolidated Appropriations Act, 2023 (Omnibus) – Congress added \$1 billion to the Department’s appropriations to provide grants to the Puerto Rico Energy Resilience Fund to build energy system resilience to major natural disasters. A new program was established under the Grid Deployment Office for this effort.
- To put these numbers into context, the Department of Energy’s FY 2022 budget was \$44.3 billion. The four statutes referenced above authorized or appropriated over \$128 billion to the Department and increased the Department’s loan authority to approximately \$350 billion.

Risks

Before addressing some of the risks associated with this unprecedented expansion in the Department’s funding and mission, I note that the Department was already charged with a high-risk portfolio prior to the passage of these pieces of legislation. As you know, approximately 90 percent of the Department’s budget goes to contractors, and 30 percent of that is further disseminated to subcontractors. Additionally, the Department of Energy is the only federal agency utilizing Management and Operating Contractors, which creates another level of complexity for oversight. Additionally, the Government Accountability Office (GAO) High Risk List includes several areas for the Department of Energy including Contract and Project

Management for the National Nuclear Security Administration and Office of Environmental Management, and Environmental Liability.

Numerous reports issued over the years by my office and the GAO have noted the Department's lack of oversight resources in particular areas. These reports typically include the Department's concurrence that it lacked the resources to accomplish the internal controls referenced in the particular report. I'll discuss a few of these historic reports in a moment. It is against this backdrop that the new funds, over \$128 billion in authorizations and appropriations, and over \$350 billion in loan authority, will move through the Department. As these funds move through the Department, many program-specific risks will emerge and create enormous challenges for the Department. This will happen over time. For now, since we are still in early days, I will limit my comments to the following more general risks:

- New programs. Between IIJA and IRA, there are \$83.6 billion dollars going into 71 new programs for the Department of Energy. New programs raise immediate concerns such as acquiring and training expert staff and developing effective internal controls. New programs push funding through untested processes and newly designed and untested internal controls. While the tremendous expansion of existing programs may raise similar issues, at least the existing programs have some well of institutional knowledge to draw upon.
- Fast moving money. History has taught us that the Federal government has often balanced the "need for speed" against the need for thoughtful internal controls in a manner that has resulted in the loss of billions of dollars to fraud, waste and abuse. The most recent examples come from federal pandemic relief efforts. On March 23, 2023, the PRAC released its latest findings, which included over \$3.6 billion paid from the

Paycheck Protection Program to individuals listed with the Department of Treasury's "Do Not Pay" system. In addition, the PRAC noted over \$3.5 billion in Economic Impact Payments were paid to individuals using the identities of deceased people. These staggering losses should give all of us pause. While the Department of Energy has stated that its new funding will not be released at the same speed that the pandemic funding was released, the Department has also publicly stated its sense of urgency to move these funds along to their intended purposes. The Department is therefore at risk that it may fall into a "pay and chase" model of oversight that may result in substantial losses. To date, the Department has:

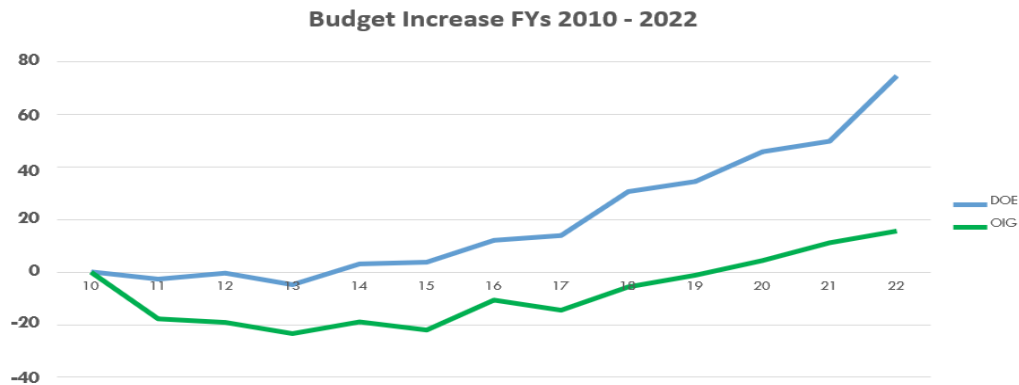
- Made \$37.8B available through Funding Opportunity Announcements (FOAs) from IIJA (availability of funds is subject to the funds received annually);
- Awarded or selected to negotiate \$11B in funding from IIJA, this includes formula funding and negotiations in process;
- Made \$7.1B available through FOAs from IRA; and
- Awarded or selected to negotiate \$1.6B in funding from IRA, this includes formula funding and negotiations in process.

The Department is still in the early stages of formation of its FY 2024 budget; however, at this time, the Department estimates its consolidated obligation under the new legislation to be approximately \$30 billion in FY 2024.

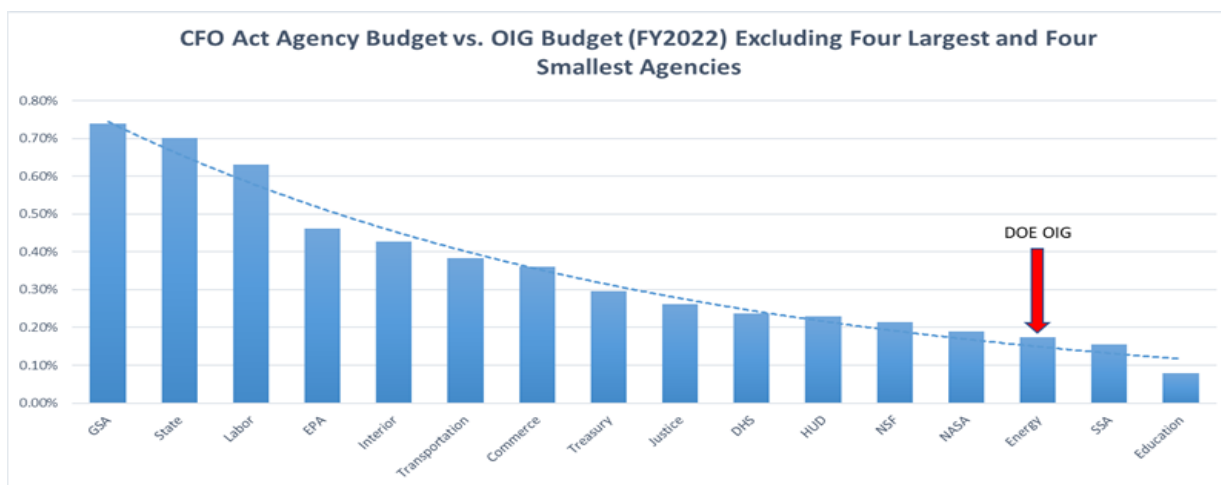
- Awards to states, local government, and tribes. Much of the funding that goes to states, local governments, and tribes is being implemented by the Office of State and Community Energy Programs. This office was funded under IIJA and IRA at nearly \$16 billion. As this money is awarded to these entities, it is then further dispersed to

subrecipients. It is not yet clear whether the states, local governments, or tribes are equipped with sufficient staffing, are adequately trained, or have adequate internal control systems in place to protect these funds. It is also not apparent whether these entities may utilize an adequate amount of the awarded funds for local oversight efforts. In any case, the passing of these funds to others does not remove the federal nature of the expenditure or excuse federal oversight. It does increase risk.

- Compounded risks. Some of the Department's programs face all of these risks at the same time – new programs, fast money, and awards to entities that may be unprepared to oversee the funds.
- Lack of adequate funding for Department's oversight efforts. IIJA included a small reservation of 3% of funding for administrative costs for many of the Department's programs. IRA appears to have given the Department some additional flexibility on administrative expenses, but these matters have not yet been resolved by the Department. I note that "administrative" expense is a broad category that includes the funds needed to move the program specific dollars out the door, but may leave little budget for the oversight needed to ensure that the funds actually arrived as intended by Congress. For this reason, I support any efforts by the Department to acquire or direct appropriate levels of funding to its oversight mission.
- Lack of adequate funding for the DOE OIG. Prior to the passing of the four pieces of legislation discussed above, the DOE OIG was already significantly underfunded. The following chart demonstrates the decline of OIG funding with respect to the growth of the Department's budget prior to the passing of the recent legislation.



The next chart provides a glance of Inspector General funding for all the Chief Financial Officers (CFO) Act agencies as of fiscal year 2022.



To further exacerbate the historic underfunding issue, DOE OIG received only \$62 million over a 5-year period under IIJA to provide oversight for these new infrastructure projects. Also, the IRA appropriated only \$20 million to the OIG to oversee those programs. Notably, there was no provision for DOE OIG in the CHIPS Act, and no provision for the OIG in the Puerto Rico Energy Resilience Fund. The chart below shows the OIG-estimated oversight funding shortfall related to, IIJA, IRA and the Puerto Rico Energy Resilience Fund.

Bills	DOE	OIG	Percent OIG to DOE	OIG Estimated Requirements 0.35%	OIG Funding Shortfall
IIJA ¹	\$64B	\$62.5M	0.10%	\$224.8M	\$162.3M
IRA ²	\$44B	\$20.0M	0.05%	\$155.6M	\$135.6M
PR-ERF	\$ 1B	\$ 0.0M	0.00%	\$ 3.5M	\$ 3.5M
Total	\$109B	\$82.5M	0.08%	\$384.0M	\$301.4M

¹ The DOE amount of \$64 billion includes \$62.5 billion plus 3.2% of \$46.6 billion in loan and loan guarantee authorized in IIJA. This 3.2% must be re-visited in the second installment of funding needed for the OIG.

² The DOE amount of \$44 billion includes \$35 billion plus 3.2% of \$290 billion in loan and loan guarantee authorized in IRA. This 3.2% must be re-visited in the second installment of funding needed for the OIG.

You will note that this estimated shortfall is a first installment. For example, it does not include the CHIPS Act. As the \$30.5 billion in new CHIPS Act funding is appropriated to the Department, I will be seeking .35% of those funds to conduct appropriate oversight.

I arrived at .35% by examining FY 2022 funding levels for the OIGs of CFO Act Agencies, and by examining the more current funding of the OIGs impacted by IIJA, the CHIPS Act, and IRA. The .35% falls into the mid-range. Given the significant risks for the Department of Energy, this percentage may be too low. However, it is a starting point, and much needed.

As you know, I am currently working with both Congress and the Office of Management and Budget to correct this funding shortfall problem for the OIG. We have cautioned that the continued and compounded dilution of OIG funding will result in insufficient oversight of both existing programs and the many newly established infrastructure and energy programs. Without additional funding, critical areas such as research security, clean energy, grid deployment, scientific computing, stockpile

stewardship, environmental cleanup, and pit production, to name a few, will not receive appropriate OIG oversight. Moreover, the OIG will not be able to provide the near-term audit and inspection assistance that the President has specifically requested to minimize the longer-term impacts from the large-scale frauds that often plague Federal programs providing such funding on an expedited timeline.

We are making some progress. The President's FY 2024 Budget includes \$165.2 million for DOE OIG to be used until expended. If the President's Budget is enacted as is, it would leave a remaining shortfall of \$16.8 million in our base budget, and a remaining shortfall of \$301.4 million dollars to oversee IJIA, IRA and the Puerto Rico Energy Resilience Fund.

The President has also issued a statement identifying \$150 million in funding to assist under-resourced Inspectors General and named my office as one of those OIGs. The Administration, however, has not yet announced the amount of this funding that might be allocated to the DOE OIG, if the funds are authorized by Congress.

Given the longevity of the programs established and expanded under these four pieces of legislation, it is critical that the DOE OIG receive appropriations in the form of no-year funds. No-year funding would allow the DOE OIG to adequately plan our resources over the entire period that the funds will be expended by the Department, and then continue to investigate the fraud matters that will be discovered and prosecuted for many years to come.

OIG Efforts to Date

Although we are substantially underfunded, we have already started work. The first action we took was to identify pertinent historic reports and discuss those with the Department. These reports provided analyses of “lessons learned” and suggested approaches for reducing the risks associated with the extraordinary level of new funding. This work began early, with engagement of Department leadership in January 2022 when my office sent three reports to Departmental leadership to inform early risk identification. These reports are listed below:

- *The IG Community’s Joint Efforts To Protect Federal Grants From Fraud, Waste, and Abuse*, CIGIE, January 2021. This report provided a broad overview of steps to prevent grant fraud.
- Special Report on *The American Recovery and Reinvestment Act at the Department of Energy* (OAS-RA-09-01, March 2009) <https://www.energy.gov/ig/downloads/special-report-oas-ra-09-01>. Drawing from similarities to the Recovery Act era, this report provides insights into early steps that leadership can take for a new or major expansion of Federal programs.
- *Special Report: Lessons Learned/Best Practices during the Department of Energy Implementation of the American Recovery and Reinvestment Act of 2009* (OAS-RA-12-03, January 2013) <https://www.energy.gov/sites/prod/files/OAS-RA-12-03.pdf>. This report served as a capstone for issues identified during the Recovery Act era that we concluded has broad applicability to today’s context.

Additionally, my office summarized its previous work and issued four reports that targeted programmatic areas that will receive substantial funding under the new legislation. There are recurring themes in these reports. The main themes are insufficient federal staffing,

inadequate oversight of projects, and a lack of accountability and transparency. Below are summaries of the four reports:

- *Special Report: Prospective Considerations for the Infrastructure Law-Funded Weatherization Assistance Program* (DOE-OIG-22-30, April 29, 2022)

<https://www.energy.gov/ig/listings/calendar-year-2022>

The OIG identified 19 audits, 14 examinations, numerous investigations, and 1 inspection regarding the Department's Weatherization Assistance Program (WAP). We identified five major risk areas that warrant immediate attention from Department leadership to prevent similar problems from recurring:

- Senior Leader Fraud: We examined 15 completed investigations resulting in investigative outcomes, including 7 criminal convictions, 20 persons excluded from Federal government contracting, and over \$2.25 million recovered. In the majority of these cases, the subject was either an executive at a Community Action Agency (CAA) or the owner of a subcontractor. The facts and circumstances in these cases demonstrate the need for more rigorous oversight over the senior leadership of CAAs.
- Controls Over Acceptance of Work: We issued audit and examination reports demonstrating problems with substandard work, billing errors, unapproved work order changes, unperformed or undocumented final inspections, and charges for unsupported costs. These reports demonstrate a need for more rigorous internal controls over acceptance of work and documentation of expenses.
- Compliance with Terms and Conditions: We issued audit, examination, and inspection reports identifying problems with verifying applicant eligibility. Additionally, we reported problems associated with regulatory compliance including

the Davis-Bacon Act, competitive contracting, management of interest on advanced funds, and reporting. Also, we reported compliance issues regarding financial management, such as proper accounting for funds and items acquired with American Recovery and Reinvestment Act funds. These reports indicate a need for more rigorous policies and procedures for compliance with grant terms and conditions.

- Grantee-Level Oversight Issues: In prior reports, we observed insufficient oversight at both the state level and with CAAs. We identified insufficient staffing; inadequate training; and inadequate systems for identifying, tracking, and preventing problems from recurring. We concluded that there is an opportunity for the Department to better define, through program guidance documents, a more substantial level of oversight to ensure that WAP funds are spent effectively.
- Administrative Remedies: In reviewing prior audit and investigation work related to WAP, we noted that the Department did not act often or quickly to impose administrative remedies on bad actors. In particular, the Department needs to ensure a proactive review of policies, training, and resources dedicated to the imposition of administrative remedies. These remedies constitute a necessary part of ensuring program integrity. An effective remedial approach would consider all means to protect, punish, and restore taxpayer funds. We observed that very few administrative remedies such as suspensions and debarments were made for the multitude of problems that occurred and were identified throughout the WAP during the American Recovery and Reinvestment Act era.

- *Special Report: Prospective Considerations for the Loan Authority Supported Under the Loan Programs Office to Improve Internal Controls and Prevent Fraud, Waste, and Abuse* (June 10, 2022; DOE-OIG-22-34) <https://www.energy.gov/ig/articles/special-report-doe-oig-22-34>

The OIG identified prior reports from six audits, two inspections, and numerous investigations regarding the Loan Programs Office (LPO). Additionally, we identified several Government Accountability Office reports related to the LPO. Based on our review of this body of work, we identified four major risk areas that warrant immediate attention:

- Insufficient Federal Staffing: Prior audit reports identified that insufficient Federal staffing adversely affected LPO's ability to administer the loan approval process and perform key risk and portfolio management functions. Capable and proficient staff are essential to ensure financial and technical risks are thoroughly analyzed and mitigated and Program objectives are achieved.
- Inadequate Policies, Procedures, and Internal Controls: Prior audit and investigative work highlighted issues related to the LPO's control structure. In particular, we identified a lack of comprehensive policies and procedures related to critical stages of the loan approval and monitoring processes including credit underwriting for applicants, assessment of financial and technical risks, and monitoring of credit and technical performance of disbursed loans. These reports also revealed inadequate controls related to the oversight of contractors and resolution of differences of professional opinion among technical experts. Additionally, investigative work demonstrated cases where companies engaged in improper conduct, however, the

Office of Inspector General did not make referrals for administrative remedies to the program, and the LPO's control structure at that time did not include consideration of such remedies. The establishment of a robust set of administrative safeguards is essential to ensure continuity and consistency in administration of the loan programs, prevent circumvention of control points, and protect the Government's and taxpayer's interests.

- Lack of Accountability and Transparency: In reviewing prior audit and investigation work related to the LPO, we noted that the Department had not maintained complete and accurate records summarizing the results of the due diligence and risk assessment processes or memorializing key decision points in accordance with records management requirements. Such information is vitally important to: (a) protect the legal and financial rights of the Government over the life of loans and loan guarantees; (b) assist current managers and their successors in making informed decisions; and (c) provide a reliable source for information needed to respond to inquiries from Congress and other oversight bodies. A lack of key decision documents also leaves the Department open to criticism that it may have exposed taxpayers to unacceptable risks. Finally, in the event that a loan or loan guarantee is subject to legal action, the availability of a complete record is an invaluable tool in supporting the Government's position.
- Potential Conflicts of Interest and Undue Influence: Issued audit, inspection, and investigation reports identified instances where LPO officials potentially violated standards of ethical conduct or engaged in irregular hiring practices and made

decisions that appeared to have been influenced by internal and external parties. Such activities could call into question the integrity of the LPO and erode the public trust.

- *Special Report on Prospective Considerations for Clean Energy Demonstration Projects* (August 17, 2022; DOE-OIG-22-39) <https://www.energy.gov/ig/articles/special-report-doe-oig-22-39>

The IIJA established the new Office of Clean Energy Demonstrations (OCED) to oversee the \$21.5 billion in IIJA funding for clean energy demonstration projects for innovative technologies like clean hydrogen, carbon capture, grid scale energy storage, and advanced nuclear reactors. Demonstration projects test the effectiveness of innovative technologies in real-world conditions at scale, often leveraging public-private partnerships to pave the way towards commercialization and widespread deployment. Under IIJA, funding for OCED projects will be distributed through financial assistance awards in the form of grants and cooperative agreements. Based on our review of prior audit work, we identified five major risk areas that warrant immediate attention and consideration from Department leadership to prevent similar problems from recurring. Specifically:

- Insufficient Federal Staffing: Prior audit reports identify that insufficient Federal staffing adversely affected the Department's ability to administer financial assistance awards, the primary mechanism for funding demonstration projects. Issued reports show that key oversight functions such as invoice reviews were not performed due to limited staffing and heavy workloads of project oversight officials. These reports demonstrate the need for sufficient staffing to ensure key Federal oversight functions are performed and the Government is adequately protected.

- Circumvention of Project Controls: We identified prior Office of Inspector General and Government Accountability Office reports demonstrating instances when the Department bypassed project controls such as performance milestones, budget phases, and cost share requirements put in place to mitigate technical and financial risks. Issued reports identify projects where the Department decreased the recipient's cost share requirement below the percentage defined in the original cooperative agreement and increased the Government's cost share to compensate. The reports also show that the Department increased early-phase budget allocations multiple times by shifting allocations from subsequent phases to provide continued support when projects were unable to meet milestones. In addition, reports identify instances when the Department selected projects despite significant financial or technical issues identified during the merit review process, issues that ultimately impacted the success of the projects. These actions circumvented project controls designed to protect the Government and taxpayers and increased the Department's financial exposure. The reports emphasize the importance of adhering to project controls to mitigate risk.
- Insufficient Oversight of Projects: In prior reports, we observed insufficient financial monitoring of recipient costs and cost share contributions which increased the risk that questionable or unallowable costs could be charged to the Department, reducing the amount of funds available to complete projects. Additionally, we identified instances when the Department had not ensured that project deliverables such as annual independent audits or final project reports had been completed, as required, or coordinated with other programs to manage overlap and avoid duplication of research

efforts. These reports demonstrate a need for more stringent monitoring of clean energy projects awarded under financial assistance agreements.

- Inadequate Internal Controls: Prior audit reports reveal inadequate internal controls related to oversight of financial aspects of assistance awards. In particular, we identified a lack of comprehensive policies and procedures defining the level of invoice review or documentation needed prior to reimbursement. In addition, these reports reveal inadequate controls related to areas such as record-keeping practices, consideration of findings from prior audits of recipient accounting systems, and reviews of recipient-level procurement practices. These reports emphasize the importance of a comprehensive internal control system to ensure that the Government and taxpayers are protected from reimbursing questionable or unallowable recipient costs.
- Lack of Recipient-Level Controls: Prior audit reports show that the Department had not ensured that recipient procurement practices were adequate to fully protect the Government's interests and complied with applicable policies, procedures, and best practices. We identified instances when the Department had not ensured recipients had effective accounting controls and financial systems in place to adequately segregate and accumulate costs. Additionally, these reports identify examples where the Department had not ensured that recipient subcontractor or vendor selections for goods and services represented the best value to the Government or recipient subcontractor costs were adequately supported. These reports indicate a need for more rigorous monitoring and oversight of recipient-level activities.

- *Special Report on Prospective Considerations for Projects Awarded Through Financial Assistance Awards* (August 17, 2022; DOE-OIG-22-40)

<https://www.energy.gov/ig/articles/special-report-doe-oig-22-40>

Given the significant amount of IJA funding that will be awarded through financial assistance awards, the OIG has identified six major risk areas based on prior audits, inspections, and investigations that warrant immediate attention and consideration from Department leadership to prevent similar problems from recurring:

- Recipient Fraud: We examined 27 completed investigations resulting in investigative outcomes, including 20 criminal convictions, 65 persons suspended or debarred from receiving financial assistance awards, and over \$38 million recovered. The majority of these cases involved the submission of false claims, false statements, and misrepresentations made by either a Principal Investigator or company executive of a financial assistance recipient. The facts and circumstances in these cases demonstrate the need for more rigorous oversight over financial assistance recipients.
- Insufficient Federal Staffing: Prior audit and inspection reports identify that insufficient Federal staffing adversely affected the Department's ability to administer financial assistance awards. Issued reports show that key oversight functions such as invoice reviews were not performed due to limited staffing and heavy workloads of project oversight officials. These reports demonstrate the need for sufficient staffing to ensure key Federal oversight functions are performed and the Government is adequately protected.
- Inadequate Oversight of Projects: In prior reports, we observed inadequate financial monitoring of recipient costs and cost share contributions which increased the risk that

questionable or unallowable costs could be charged to the Department, reducing the amount of funds available to complete projects. Additionally, we identified instances when the Department had not ensured that project deliverables such as annual independent audits or final project reports had been completed as required.

Furthermore, reports reveal instances when the Department had not taken actions to address external audit findings related to financial weaknesses at the recipient level.

Finally, audit and investigative work identified weaknesses in the Department's coordination with other programs and Federal agencies to manage overlap and avoid duplication of research efforts. These reports demonstrate a need for more stringent monitoring of projects awarded under financial assistance agreements.

- Circumvention of Project Controls: We identified prior reports demonstrating instances when the Department bypassed project controls such as performance milestones, budget phases, and cost share requirements put in place to mitigate technical and financial risks. Additionally, these reports identify instances when the Department had not effectively implemented ongoing invoice review controls it put in place to manage project risks. Further, these reports identify instances when the Department selected projects despite significant financial or technical issues identified during the merit review process, issues that ultimately impacted the success of the projects. These actions circumvented project controls implemented to protect the Government and taxpayers and increased the Department's financial exposure. These reports emphasize the importance of adhering to project controls to mitigate risk.
- Inadequate Internal Controls: Prior audit reports reveal inadequate internal controls related to administering and monitoring of financial assistance awards. In particular,

we identified a lack of comprehensive policies and procedures defining the level of invoice review or documentation needed prior to reimbursement. In addition, these reports reveal inadequate controls related to areas such as record-keeping practices, consideration of findings from prior audits of recipient accounting systems, and reviews of recipient-level procurement practices. These reports emphasize the importance of a comprehensive internal control system to ensure that the Government and taxpayers are protected from reimbursing questionable or unallowable recipient costs.

- Lack of Recipient-Level Controls: Prior audit reports show that the Department had not ensured that recipient procurement practices were adequate to fully protect the Government's interests and complied with applicable policies, procedures, and best practices. We identified instances when the Department had not ensured recipients had effective accounting controls and financial systems in place to adequately segregate and accumulate costs. Additionally, these reports identify examples where the Department had not ensured that recipient subcontractor or vendor selections for goods and services represented the best value to the Government or recipient subcontractor costs were adequately supported. Further, we identified instances when the Department had not ensured that recipients fully understood Federal financial assistance requirements, which resulted in questionable or unallowable costs being charged to projects. These reports indicate a need for more rigorous monitoring of recipient-level activities.

Data Collection, Monitoring, and Future Projects

My office has also launched a data collection and monitoring project to begin to collect and analyze oversight information from the Department for five of its programs as follows:

1. Office of Clean Energy Demonstrations (OCED) – The scope of oversight for OCED will cover the major projects including Advanced Reactors; Carbon Capture projects; Regional Clean Hydrogen Hubs; and other major projects.
2. Loan Program Office (LPO) – The scope of oversight for LPO will cover loan authorities, as authorized in IIJA and IRA, in areas to include Innovative Clean Energy loan guarantees for both fossil and nuclear energy; Advanced Technology Vehicle Manufacturing loans; Energy Infrastructure; Tribal Energy; and others.
3. Grid Deployment Office (GDO) – The scope of oversight for GDO will cover programs including Enhancing the Resilience of the Electric Grid; Innovative Grid Resilience Program; Transmission Facilitation Program; Smart Grid Grants; Modeling and Assessing Energy Infrastructure Risk; Civil Nuclear Credit Program; Hydroelectric Production Incentives; and other major projects.
4. Office of State and Community Energy Programs (SCEP) – The scope of oversight for SCEP will cover programs including the State Energy Program; Weatherization Assistance Program; Energy Efficiency and Conservation Block Grant Program; Training programs; and Energy Efficiency programs.
5. Office of Manufacturing and Energy Supply Chains (MESC) – The scope of oversight for MESC will cover programs to include: Advanced Energy Manufacturing and Recycling Grant; Battery and Battery Recycling programs; Rebate programs for Energy Efficient Transformers and Extended Product Systems; Industrial Research and Assessment

Centers; Rare Earth Elements Demonstration Facility; and State Manufacturing Leadership.

As additional funding becomes available to the OIG, the data collection and monitoring project will be expanded to include additional programs. The data collection and monitoring project is designed to produce leads for audits, inspections, evaluations, and investigations. The OIG's ability to conduct audits, inspections, evaluations, and investigations will be determined by the amount of funding it receives to do so. There is no amount of planning or coordinating that will replace having the resources – the people- to conduct these projects. To date, we have initiated one audit and have planning underway for additional work.

As we complete audits, inspections, evaluations, and investigations, we anticipate that we will uncover instances of procurement fraud given the large amount of money flowing out in a short period of time. Therefore, I have partnered with the Department of Justice Procurement Collusion Strikeforce in order to proactively engage with the individuals that will be a part of prosecuting procurement fraud.

I also hope to continue to expand and develop the data analytics capability of the OIG, by making investments in information technology and managed services. Now more than ever, the OIG needs efficient and economical tools to better identify, prioritize and develop issues that support risk-based prioritization for our audits, inspections, evaluations, and investigations. We are building innovative automated tools that identify and pursue anomalies and will serve to focus the resources of our human elements on those matters most likely to achieve the greatest results. We are analyzing high-risk areas such as labor, pay, grants, subcontracts, and contract charges towards validating risk models to identify specific high-risk anomalies. We are taking

steps to integrate financial, operational, and performance data to assess and identify risk to the Department's programs and operations. We are working closely with PRAC to borrow from its successful and data driven oversight activities. My data analytics team has already had much success, but more needs to be done. Strengthening our data analytics capabilities and gaining access to required authoritative Federal and contractor data, remains a key priority, especially as we perform oversight of the four pieces of legislation discussed today.

Coordination with the Department and OMB

In April 2022, OMB memorandum M-22-12 directed agencies to oversee infrastructure spending with the same collaborative approach used for pandemic spending. The DOE OIG has been collaborating by posing questions during Joint Review Meetings with OMB and the Department. The OIG cannot consult or advise without sacrificing its independence, but the OIG may inquire. To date, these meetings have included the following subjects:

- The IIJA funded Civil Nuclear Credit Programs – \$6 billion to help commercial utilities keep low carbon power plants open.
- The IIJA funded investment in Electric Vehicle Charging Stations – \$7.5 billion to build nation-wide recharging corridors.
- The IRA funded High Assay Low Enriched Uranium program – to create a domestic source of this fuel needed for the next generation of advanced nuclear reactors.

We are currently working with OMB to schedule Joint Review Meetings for IRA funded rebate programs, domestic manufacturing conversion grants, and loan program expansion, all in the coming months.

Along the same lines, since early 2022, my office has held close to 40 meetings with senior Department leadership to pose questions to them regarding the new programs, and to identify risks the OIG has reported during the performance of prior work. In this way, we have safeguarded our independence, while helping the Department to identify areas of potential risk. We have also used these meetings to reemphasize the importance of Departmental oversight to help prevent and detect fraud, waste and abuse. Additionally, we have conducted 180 fraud awareness briefings since the passage of IIJA, reaching more than 5,700 federal employees, contractors, grantees, external auditors, law enforcement, and state and local government and tribal counterparts. We have also had dozens of formal collaborations with federal, state and local law enforcement, prosecutors, auditors, and states that are receiving and administering IIJA awards.

Coordination Within the IG Community

The IG community is also pulling together to address common issues of concern in an efficient manner. Soon after passage of the IIJA, CIGIE created a working group of OIGs for those agencies that received IIJA funds. Together with The Hon. Eric Soskin, Inspector General for the US Department of Transportation, I serve as co-chair for the CIGIE Infrastructure Working Group. This group meets monthly to communicate, coordinate and to share best practices for the purposes of improving Federal oversight over IIJA funds government wide. One key activity that the working group has undertaken is to begin to create a network with our Inspector General counterparts in the states, local government and tribes. While there is much work to do, we have initiated discussions about program risks, oversight funding and oversight plans.

Additionally, the CIGIE Infrastructure Working Group has hosted GAO in our monthly meetings on two occasions and has established a schedule to include GAO in our meetings, quarterly, moving forward. GAO's attendance at the CIGIE Infrastructure Working Group meetings has allowed coordination across the entire oversight community on efforts pertaining to oversight of the new funds.

Finally, in November 2022, CIGIE Chair Mark Greenblatt convened an informal roundtable for OIGs whose Agencies received funding under IRA. This roundtable will meet quarterly and is intended to serve as a focal point for external stakeholders to easily contact or engage with all OIGs involved in IRA oversight, and to allow OIGs a forum to discuss IRA-specific challenges, issues or concerns, and to share best practices.

Closing Remarks

I would like to recognize the key role that bipartisan efforts of Congressional oversight Committees have played over the years in advancing government transparency and program integrity. Following passage of the American Recovery and Reinvestment Act of 2009, Congress supported IG efforts to stand up the Recovery Accountability and Transparency (RAT) Board, and creation of Recovery.gov. In 2016, Congress passed the bipartisan IG Empowerment Act, which reinforced key oversight concepts and gave OIGs important tools to achieve their missions. Finally, Congress created the CIGIE Pandemic Response Accountability Committee (PRAC) in the Coronavirus Aid, Relief, and Economic Security Act. We are all aware of the important work that committee has done with jurisdictional Inspectors General since 2020.

Thank you for your continued support for the independent oversight work performed by my office and by the Inspector General community. We look forward to continuing to work on

behalf of the taxpayers to ensure that federal infrastructure and energy programs are operating effectively and efficiently, and to prevent and detect fraud, waste, and abuse. I appreciate the opportunity to testify here today, and I look forward to answering your questions.



Teri L. Donaldson was sworn in as the fifth Inspector General of the United States Department of Energy on January 23, 2019. Ms. Donaldson began her career as an Assistant United States Attorney for the Middle District of Florida, and received numerous commendations from federal investigatory agencies, as well as Special Commendations from the U.S. Attorney General and the Director of the FBI. She then served as General Counsel for the Florida Department of Environmental Protection, representing the State of Florida on a broad range of environmental and energy matters. Ms. Donaldson joined the private sector in 2004, where she assisted clients with complex investigations, litigation, and corporate compliance matters. Most recently, Ms. Donaldson was a partner in the Houston office of DLA Piper, LP (US), where her clients included a variety of major American and international corporations. Ms. Donaldson returned to public service in September of 2017 serving as the General Counsel for the Environment and Public Works Committee of the United States Senate before becoming Inspector General. Ms. Donaldson is the first female to hold the position of Inspector General at the Department of Energy.